

# U.S. Foreign Trade in Finished Manufactures

**EXPORTS** of domestic merchandise (excluding military aid) reached a peak of nearly \$20.9 billion at an annual rate, seasonally adjusted, in the first half of 1962 as shipments abroad of finished manufactures set a record of \$11.9 billion—some 57 percent of the total. U.S. imports<sup>1</sup> also climbed to an all-time high of \$15.9 billion at an annual rate in the same period, with arrivals of finished goods rising to more than \$5.8 billion—nearly 37 percent of the total.

## Changing import pattern contrasts with stable export trends

The current share of finished goods in total exports represents a minor variation from the average ratio that has been maintained with little change in trend throughout the whole postwar period. In contrast, the present share of finished manufactures in our overall import trade reflects a doubling of the proportion that prevailed in the early 1950's.

These developments are a reflection of the more rapid growth in imports of finished goods relative to total imports, than the corresponding relationship for exports of finished goods to total over the past dozen years. The growth rate of finished goods imports, averaging over 11½ percent a year during this period, far outpaced the 4½ percent average annual rise in total imports. In the case of exports, on the other hand, both finished manufactures and the total advanced at nearly equal average yearly rates of about 5½ percent.

In dealing with rates of change it is, of course, essential to consider the base period of measurement. In the early 1950's, before the industrial complex of Europe and Japan had been fully restored, U.S. imports of finished goods were a smaller proportion of total

imports than in the prosperous period of 1925-29 or even in the depression years of the thirties. Exports of finished manufactures, on the other hand, claimed a larger share of total exports in 1950-53 than they had in the prewar period (see double chart on page 26).

Notwithstanding differences in growth expressed in percentage terms, the United States presently exports \$2 of finished goods for every \$1 imported, or a surplus in actual dollar terms of \$6 billion. In 1950-53, on average, the actual dollar surplus in such goods was \$1 billion less, although then the ratio of the two-way trade was nearly 3½ to 1 in our favor. The chart on this page shows the magnitude of the dollar surplus of exports over imports of finished manufactures and the rather moderate expansion of that surplus during this period—averaging only 2 percent

a year—concentrated in 1956-57 and again in the more recent years following 1959.

The double chart on page 26 shows the historical shares of finished goods and the other two major economic classes—foodstuffs, and crude and semi-manufactured materials—in total exports and imports. The preponderant weight of finished manufactures in U.S. exports in the postwar years, and its variation around an average 55 percent of the total, contrasts with the still subsidiary, but rapidly advancing position of finished goods in our import trade during the same period.

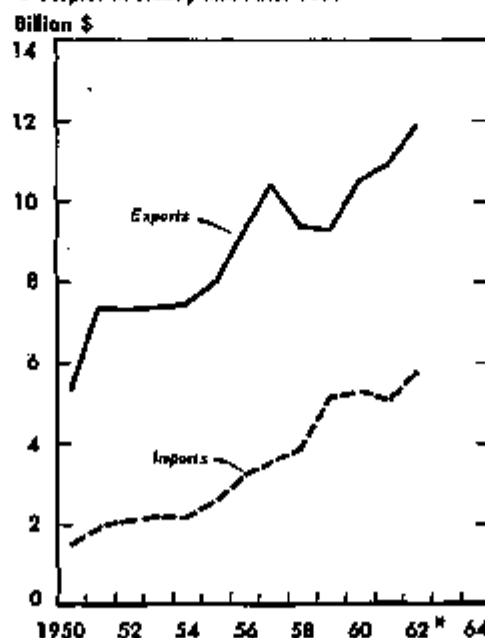
These share patterns have been accompanied since the early fifties, on the export side, by the maintenance, also with some variations, of the relative positions of the two other broad commodity groupings but, on the import side, by a definite downward trend in the relative weights of both foodstuffs and crude and semimanufactured materials. The latter factor, of itself, has the effect of raising the relative importance of finished goods. Crude and semimanufactured materials, with a current share of about 42 percent of total imports, still holds top place in this country's import trade but its leadership is being challenged by the persistent uptrend in the share of finished goods.

## Finished goods key factor in U.S. total trade surplus

For a half century or more the Nation's overall trade surplus has remained heavily dependent on its large export balance in finished manufactures. Over the past decade, however, the total trade surplus has expanded faster—both in percentage and in dollar terms—than the export balance on finished goods (see bar chart). From 1950-53 to thus far in 1962 the total trade balance advanced at an average

### EXPORTS AND IMPORTS OF FINISHED MANUFACTURES

- Exports Exceed Imports by Near-Record \$6 Bil.
- Surplus in Steady Rise After 1959



\* First half of annual rate, seasonally adjusted.  
(Exports for June estimated)

Basic date: Census

U.S. Department of Commerce, Office of Business Economics

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<sup>1</sup> Throughout the discussion which follows, U.S. Government imports of uranium are excluded from the figures for total imports.

annual rate of 10½ percent while the export balance on finished goods grew at a rate of scarcely more than 2 percent a year.

The dollar surplus on finished goods continues, nevertheless, to exceed the total surplus by an average ratio in the 1960's of about 1½ to 1, but this is considerably smaller than the average 2½ to 1 relationship which prevailed in the first 5 years of the preceding decade. The faster growth in the U.S. total trade surplus than in its export balance on finished goods reflects not only the vigorous advance in imports of finished goods but also the declining deficit in the Nation's trade in crude materials and semimanufactures and the recent switch from a deficit to a surplus in foods (see bar chart).

## Structure of Trade

*Capital equipment dominates exports; consumer goods lead imports*

The chart on page 28, based on OBE's broad end-use category groupings,<sup>2</sup> shows the changing structure of our trade in finished manufactures.

As the chart reveals, capital equipment exports continue to claim undisputed leadership over exports—or imports—of other categories of finished goods and represent the key factor in maintaining the Nation's large export surplus in finished manufactures. Exports of capital equipment last year totaled \$6.7 billion, of which machinery—its largest component—accounted for two-thirds, a preponderance dating back a great many years. In extreme contrast, capital equipment imports—also heavily weighted by machinery and related items—amounted to less than \$¼ billion. So far in 1962, the dollar value excess of exports over imports has widened even more on an annual basis.

2. Some years ago the Office of Business Economics designed and completed a large-scale statistical reclassification of the basic trade data issued by the Bureau of the Census. This project involved regrouping of the data into end-use categories related to different economic sectors—business (investment and manufacturing), consumer, and farm. Historical data in considerable detail have been prepared on this basis going back to the early 1920's. These will appear in a new edition of OBE's *Balance of Payments Statistical Supplement* soon to be published.

The growing dollar surplus in our two-way trade in capital equipment, in the face of much greater percentage increases in imports than in exports, has been characteristic of U.S. trade in this category of goods throughout the whole postwar period. From 1950 to 1961, exports of capital equipment expanded by one-and-a-third while imports advanced by more than fivefold; over the same span, however, exports grew in value by over \$3½ billion as imports rose only \$600 million. These diverse relationships point up the care which must be taken to avoid drawing faulty conclusions from much of present-day comment on the subject of foreign trade and import competition in which the discussion focuses exclusively on growth rate (percentage) comparisons where a wide disparity in value magnitudes exists between the statistical series being compared.

This is not to discount the real

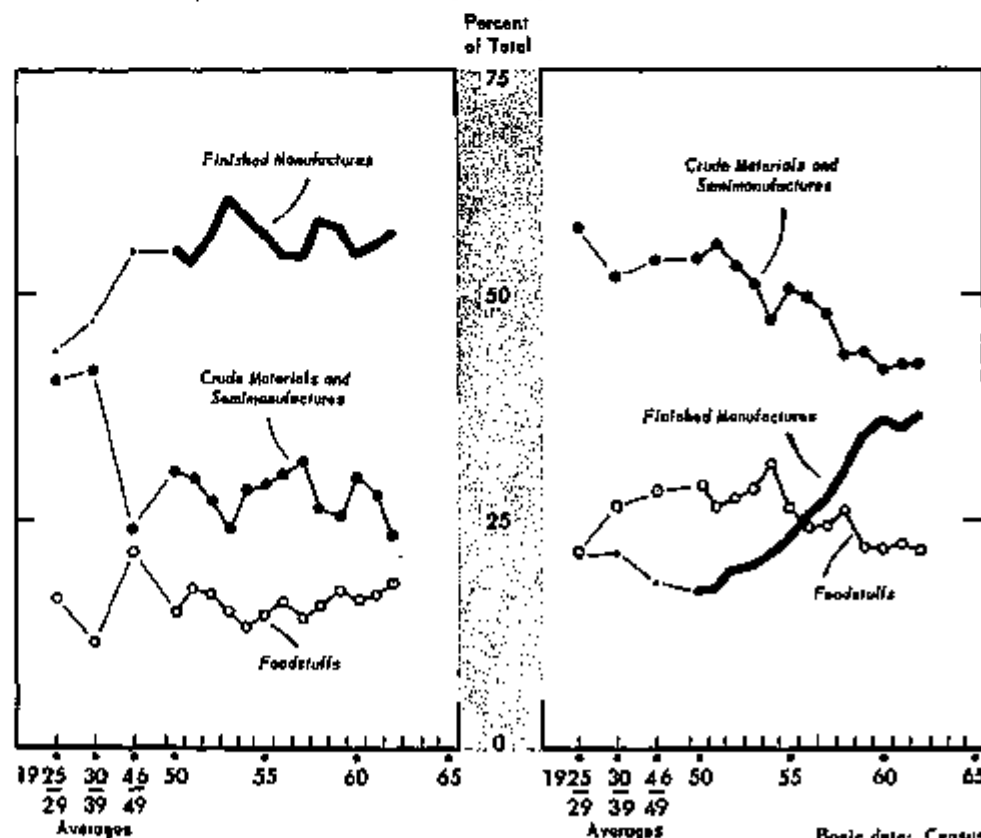
significance of relative trends where the absolute values are reasonably "competitive." The evolution of this country's role from a net exporter to a net importer, since 1957, of finished consumer goods provides an example of how a persistently larger growth rate in trade in one direction than in the other ultimately results in the absolute value of the initially lower series gaining ascendancy over the originally higher one.

In 1950, exports of consumer goods exceeded imports by about \$400 million, or by a ratio of somewhat less than two to one. Capital equipment exports, by way of comparison, surpassed imports by over \$2½ billion in that year, reflecting a disparity of 26 to 1. The expansion in consumer goods imports by over 200 percent from 1950 to 1957 while exports improved by only 65 percent produced a shift in the absolute dollar relationship of our trade in

## SHARE OF ECONOMIC CLASSES IN TOTAL TRADE

**EXPORTS: Finished Manufactures Dominate**  
—Postwar Share Maintained With Relative Stability

**IMPORTS: Rising Share of Finished Manufactures Challenges Leading Role of Crude and Semimanufactured Goods**



Note: 1962 reflects January-June at annual rate, seasonally adjusted. (Exports for June estimated)

U.S. Department of Commerce, Office of Business Economics

manufactured consumer goods from a surplus to a deficit position sometime during the latter year. In 1958, the continued enlargement in the value of consumer goods imports, aided by a sharp \$200 million rise, for the second successive year, in arrivals of foreign passenger cars pushed that category into the top position on the import side of our trade in finished manufactures.

In the first half of the current year, imports of consumer goods were arriving at an annual rate (seasonally adjusted) that exceeded 1960's record total of \$2½ billion. The current peak rate for this top import category, nevertheless, is not even a third as great as the current record pace of capital equipment exports.

In contrast to the Nation's switch from a surplus to a deficit position on trade in manufactured consumer goods, the United States still retains its traditional role as a net exporter of finished industrial supplies and materials (but a net importer of crude industrial materials). However, that export advantage contracted sharply in the first half of 1962—to even less than the narrow difference prevailing in 1959—as imports in January–June, at a seasonally adjusted annual rate, scored a substantial rise of nearly 15 percent over the total in 1961 (see panel chart on page 28). This development probably reflects to a large extent the near-duplication of demand conditions existing in 1959—a cyclical recovery in domestic business from a year earlier combined with the threat of work stoppages arising from the large number of labor contract expiration dates scheduled in the steel and non-ferrous metals industries during the first 6 months of the year.

### Area Trends in Finished Manufactures

The changing area pattern of economic growth and investment activity throughout the world since the mid-1950's was characterized in Latin America and Canada after the boom period of 1950–57 by a lagging investment pace and a hesitant rate of growth in GNP, and by strikingly opposite trends in the highly industrialized areas of

Western Europe and Japan. These developments obviously brought about major shifts in the relative importance of our leading export markets for finished goods.

### Europe top continental market for finished goods

While the Western Hemisphere in aggregate is still the major export area for U.S. finished manufactures, Europe in 1960 took the lead over both Canada and Latin America, respectively, as the top continental outlet for such goods for the first time since the end of the war. Canada remains, however, the Nation's best individual country destination for U.S. finished goods by a substantial margin over the current second-ranking market, West Germany. The latter's hold on the runner-up position rests on the sizable value of its recent large cash purchase of U.S. special category military equipment. If such exports are excluded from the comparisons, Mexico and Japan rank as the second and third most important single markets, respectively. Canada's lead as an individual export outlet for U.S. finished manufactures in 1962 thus far is a command-

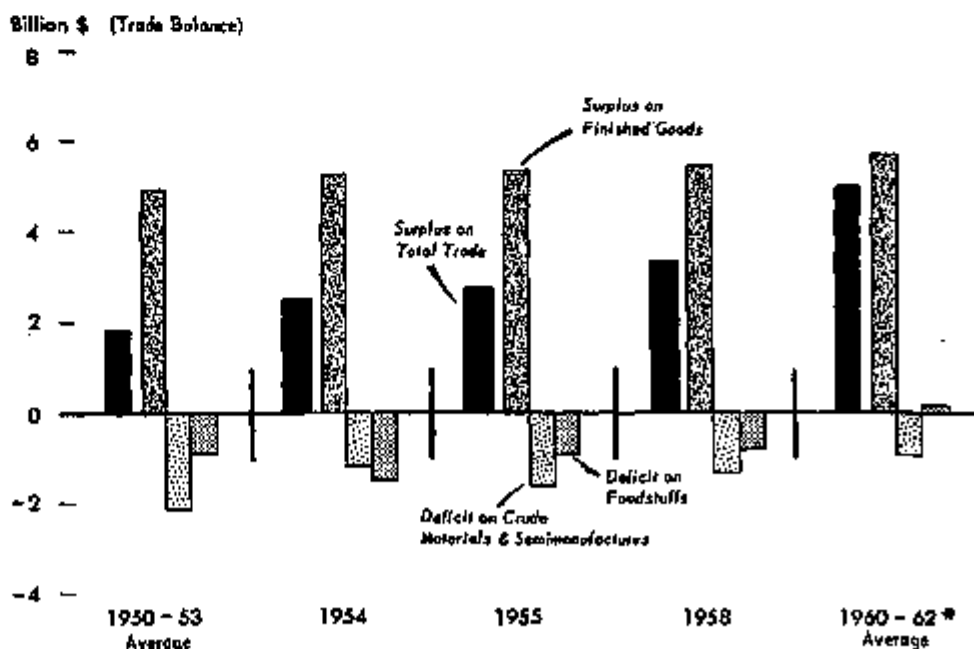
ing 5½ to 1 over Japan, our top market outside the Western Hemisphere, but this ratio represents a sharp contraction of the 10½ to 1 margin in 1959 over the same major overseas market. In 1960, Britain was the leading destination outside the Western Hemisphere.

The downward shift in the relative share of the Western Hemisphere as a market for our finished goods—from about 57½ percent in 1959 to about 46½ percent in 1961, with a further decline evident in the current year—is explained only to a minor degree, however, by the whittling down of Canada's leading position; nor does the loss of the Cuban export market in Latin America amend the explanation significantly.

The major factor was the steep 2-year advance in the flow of U.S. finished manufactures to Europe and Japan which swelled by over 70 percent, or \$1.4 billion—mostly in the form of capital equipment. As exports to the Western Hemisphere, in contrast, declined by over \$½ billion in the same period—or remained nearly stagnant if adjustment is made for the loss of the Cuban market—the combined share of

### FINISHED GOODS EXPORT BALANCE CONTINUES TO RISE

- Remains Key Factor in Overall Trade Surplus
- Declining Deficit in Other Goods Has Contributed To Accelerated Growth of Total Surplus



\* Reflects first half 1962 at seasonally adjusted annual rate (June 62 estimated)

U.S. Department of Commerce, Office of Business Economics

Basic data: Census

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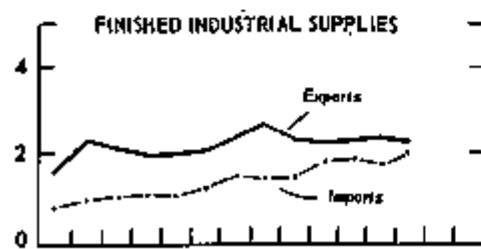
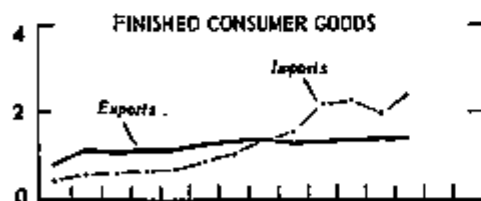
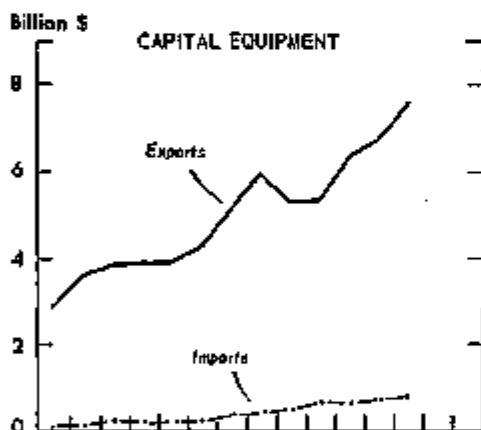
the overseas industrialized areas rose from 21½ to 31½ percent. In the first part of 1962 these divergent relationships were amplified, thus further extending trends already in motion prior to 1959.

In earlier years—during the postwar period until 1956–57—the area share relationships were generally trending in the reverse direction, that is, the Western Hemisphere share was rising and that of Europe falling. That period was climaxed in late 1956 and early 1957 when the natural resource development booms reached their peaks in Canada and Venezuela and then receded.

In 1958 the European Common Market came into being and proved

#### DEMAND PATTERNS FOR EXPORTS AND IMPORTS OF FINISHED MANUFACTURES DIFFER WIDELY

- Capital Equipment Dominates Exports
- Consumer Goods Lead Imports



\* First half of annual rate, seasonally adjusted.  
(June estimated)

U.S. Department of Commerce, Office of Business Economics

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to be a forceful motivation and stimulus for the dynamic investment boom in continental Europe that shortly followed. Private U.S. capital played a part in both areas, with the volume of U.S. direct investment outflows tracing the ending and beginning turning points, respectively, in overall investment volume in the Western Hemisphere and in Europe. (While U.S. direct investment flows are not a reliable barometer for tracking short-term ups and downs in total investment activity abroad, they can serve this purpose quite well in the case of important secular turnabouts in such activity.)

The shifting area pattern of foreign investment, and the transitional period of reduced investment activity in 1958–59, is closely reflected in the movement of U.S. exports of capital equipment (see panel chart and text table on this page). The resumption after 1959 of the postwar growth in U.S. machinery and other capital goods exports, temporarily interrupted after 1957, reflects the replacement of Western Europe in the role previously played by Canada and Latin America.

#### Imports from overseas industrialized areas

Europe and Japan have traditionally been principal foreign suppliers for U.S. finished goods import requirements. Together, these industrially developed overseas areas have lately accounted for about two-thirds of the total of such imports, and for about nine-tenths of all U.S. imports of manufactured consumer goods.

Canada holds the top individual position in our import trade in finished goods, as in our exports (see table 1), though this is true only by virtue of its heavy shipments of newsprint—a commodity with a lesser degree of manufacturing complexity than most other finished goods. Excluding such shipments—with a value nearly unchanged for the past several years of approximately \$650–\$675 million a year—Canada's share of U.S. finished goods imports has been running a steady one-tenth of the total, or about at an annual rate of \$525 million from 1959

#### Area changes in U.S. private direct investment and in U.S. exports of machinery

(Percent of change)

| Period            | U.S. Investment          | U.S. Exports |
|-------------------|--------------------------|--------------|
|                   | Canada and Latin America |              |
| 1955 to 1957..... | +264                     | +39          |
| 1957 to 1958..... | -62                      | -8           |
| 1958 to 1961..... | -45                      | -7           |
|                   | Western Europe           |              |
| 1955 to 1957..... | +121                     | +30          |
| 1957 to 1958..... | -34                      | -9           |
| 1958 to 1961..... | +201                     | +101         |

to the present. Combined with Latin America's low level of sales amounting to less than \$150 million a year, the Western Hemisphere's aggregate share during this period has been about one-eighth. On this basis, Canada's role as principal single supplier of finished goods in the United States gives place to Japan, which currently, and for the past 2 years, has held the position. For some years prior to 1960, the lead position seesawed between Britain and Germany.

Table 1 shows that the respective relative positions of each of the major areas of the world as U.S. import sources for finished manufactures have been maintained with a fair degree of stability during the last 3½ years, due partly to the comparatively moderate variations in the global total of such imports over the period. This is in strong contrast, it will be noted, to the substantial shifts in area relationships observed for exports.

#### Trade balance on finished goods changed

Differences discussed above in the value movements and area relationships between exports and imports of finished manufactures in the past 3½ years have wrought some significant changes in our trade balance on such goods during the period.

Perhaps the most striking of these is the sharp swing in our balance with Western Europe from a deficit of (—) \$1 billion in 1959 to a surplus of \$½ billion in 1961. The improvement of a billion and a half dollars in just 2 years was the essential factor in the simultaneous expansion of \$1.6 billion

in the global surplus on finished manufactures. The latter balance reached a total of \$5.85 billion in 1961 and broadened further in the first half of 1962. In each case the upward movement of the balance after 1959 was essentially a function of the greater absolute and relative strength of exports than of imports (see table 1).

Contrariwise, our two-way trade with Canada in finished manufactures, though continuing to produce its customary large export surplus, showed little variation in either direction and brought only a minor movement in the balance, from \$1.5 billion to somewhat less than \$1.4 billion, between 1959 and 1961. The first 5 months of 1962 have witnessed a noticeable enlargement of that balance, however, with the more rapid advance of exports than imports.

Despite the dramatic turnabout of our trade position in finished goods with Western Europe after 1959 the export surplus with that area is currently less than half that with Canada and about a third the size of our export balance with Latin America. The decline in the last instance of about \$½ billion reflects primarily the disappearance of the Cuban market—our net trade position with the other 19 American Republics in aggregate has undergone little change.

Our trade in finished goods with Japan has been in deficit—varying dollar-wise moderately above and below an average of a half billion dollars—for a number of years in the recent past. This is in contrast to the usual heavy export balance in our overall trade with Japan—arising out of our sizable trade surpluses in crude materials (raw cotton, scrap metal, etc.), and in foodstuffs—and reflects the large influx of Japanese consumer goods which substantially exceeds our smaller, but growing, sales of capital equipment to that country.

The traditional trade surplus in finished goods with the less developed areas of the world has been edging upward in the past few years, doubtless due in considerable measure to augmented demand stemming from the stepped-up flow of U.S. Government grants and loans for development and balance of payments assistance.

## KEY COMMODITY SHIFTS

### —Growth and Decline—

Exports and imports of finished manufactures over the past decade, broadly sketched in terms of the total and of its large end-use category components in the preceding pages, are examined in closer detail in table 2. That table sharpens the focus of analysis on the key commodity groupings which have supplied the major impetus to the shifts in the larger totals between 1950-53 (annual average) and 1961.<sup>3</sup>

3. The commodity groupings listed in the table provide 90 percent coverage of the Nation's two-way trade in finished goods in both base periods. It is recognized that such groupings are still too aggregative to permit a product-by-product or even industry-by-industry comparison of exports and imports; such a comparison would represent an undertaking beyond the scope of this article.

### Improvement in machinery, transport, and military equipment

It is clearly evident from the "Improvement" section of table 2 that the large value excess of exports over imports of total finished manufactures, which has ranged from \$5 billion to \$6 billion over the decade since the early fifties, is concentrated among the major items of capital equipment—non-agricultural machinery, aircraft, railway equipment, and special category goods. These items have accounted for most of the \$2.9 billion addition to our export balance in the past decade, sufficient to overcome the deterioration in our trade position in other commodities—principally consumer goods and certain finished industrial materials—of about \$1½ billion dollars.

Table 1.—Area Distribution of U.S. Trade in Finished Manufactures—1959, 1960, 1961 and January-May 1962

|                                       | 1959    |       | 1960    |       | 1961    |       | January-May |       |         |       |
|---------------------------------------|---------|-------|---------|-------|---------|-------|-------------|-------|---------|-------|
|                                       | \$ mil- | %     | \$ mil- | %     | \$ mil- | %     | 1961        |       | 1962    |       |
|                                       | lion    |       | lion    |       | lion    |       | \$ mil-     | %     | \$ mil- | %     |
| Domestic exports (excl. military aid) |         |       |         |       |         |       |             |       |         |       |
| Total, all areas.....                 | 9,386   | 100.0 | 10,524  | 100.0 | 10,331  | 100.0 | 4,587       | 100.0 | 5,068   | 100.0 |
| Western Hemisphere, total.....        | 6,300   | 67.2  | 6,230   | 59.2  | 5,012   | 48.5  | 2,114       | 46.4  | 2,247   | 44.3  |
| Canada.....                           | 2,672   | 28.5  | 2,434   | 23.0  | 2,500   | 24.2  | 1,068       | 23.3  | 1,230   | 24.1  |
| 20 American Republics.....            | 2,627   | 28.0  | 2,002   | 19.2  | 2,512   | 24.3  | 1,046       | 22.9  | 1,017   | 20.2  |
| Western Europe and Japan, total.....  | 1,986   | 21.2  | 3,080   | 29.0  | 3,430   | 33.1  | 1,405       | 30.7  | 1,790   | 35.1  |
| Western Europe, total.....            | 1,781   | 18.9  | 2,730   | 25.9  | 3,012   | 29.2  | 1,236       | 27.0  | 1,627   | 32.1  |
| U. K.....                             | 225     | 2.4   | 431     | 4.1   | 411     | 3.9   | 178         | 3.9   | 160     | 3.2   |
| E. E. C. countries.....               | 710     | 7.7   | 1,146   | 10.9  | 1,205   | 11.6  | 548         | 12.0  | 630     | 12.4  |
| Other Western Europe.....             | 546     | 5.8   | 607     | 5.8   | 720     | 6.9   | 307         | 6.7   | 344     | 6.8   |
| Special category (non-aid).....       | 204     | 2.2   | 437     | 4.1   | 580     | 5.5   | 313         | 6.8   | 375     | 7.4   |
| Japan.....                            | 345     | 3.7   | 308     | 2.9   | 427     | 4.1   | 159         | 3.5   | 309     | 6.1   |
| Rest of world, total.....             | 1,944   | 20.8  | 2,248   | 21.4  | 2,400   | 23.2  | 1,028       | 22.5  | 1,005   | 20.0  |
| General imports                       |         |       |         |       |         |       |             |       |         |       |
| Total, all areas.....                 | 5,281   | 100.0 | 5,391   | 100.0 | 5,079   | 100.0 | 1,839       | 100.0 | 2,405   | 100.0 |
| Western Hemisphere, total.....        | 1,808   | 34.2  | 1,822   | 33.8  | 1,342   | 26.4  | 549         | 29.8  | 804     | 33.4  |
| Canada.....                           | 1,178   | 22.3  | 1,196   | 22.2  | 1,202   | 23.7  | 481         | 26.2  | 535     | 22.3  |
| 20 American Republics.....            | 126     | 2.4   | 127     | 2.4   | 140     | 2.7   | 69          | 3.7   | 69      | 2.9   |
| Western Europe and Japan, total.....  | 3,514   | 67.8  | 3,564   | 67.1  | 3,308   | 65.8  | 1,235       | 67.3  | 1,576   | 65.8  |
| Western Europe, total.....            | 2,785   | 52.7  | 2,980   | 55.3  | 2,514   | 49.5  | 946         | 51.5  | 1,104   | 45.9  |
| U. K.....                             | 742     | 14.0  | 941     | 17.3  | 827     | 16.3  | 307         | 16.7  | 275     | 11.5  |
| E. E. C. countries.....               | 1,038   | 19.7  | 1,502   | 27.9  | 1,507   | 29.7  | 587         | 32.0  | 712     | 29.6  |
| Other Western Europe.....             | 405     | 7.7   | 442     | 8.3   | 430     | 8.5   | 161         | 8.8   | 209     | 8.6   |
| Japan.....                            | 720     | 13.6  | 374     | 7.0   | 704     | 13.9  | 200         | 10.9  | 382     | 15.9  |
| Rest of world, total.....             | 304     | 5.8   | 415     | 7.7   | 420     | 8.3   | 104         | 5.7   | 224     | 9.3   |
| Trade balance                         |         |       |         |       |         |       |             |       |         |       |
| Total, all areas.....                 | 4,155   | 100.0 | 5,223   | 100.0 | 5,262   | 100.0 | 2,748       | 100.0 | 2,663   | 100.0 |
| Western Hemisphere, total.....        | 4,063   | 100.0 | 4,404   | 100.0 | 3,700   | 100.0 | 1,565       | 100.0 | 1,443   | 100.0 |
| Canada.....                           | 1,931   | 100.0 | 1,438   | 100.0 | 1,304   | 100.0 | 607         | 100.0 | 606     | 100.0 |
| 20 American Republics.....            | 2,582   | 100.0 | 2,385   | 100.0 | 2,396   | 100.0 | 957         | 100.0 | 837     | 100.0 |
| Western Europe and Japan, total.....  | -1,915  | 100.0 | -613    | 100.0 | -131    | 100.0 | -301        | 100.0 | -160    | 100.0 |
| Western Europe, total.....            | -1,934  | 100.0 | -68     | 100.0 | -498    | 100.0 | -301        | 100.0 | -333    | 100.0 |
| U. K.....                             | -919    | 100.0 | -216    | 100.0 | -110    | 100.0 | -19         | 100.0 | -107    | 100.0 |
| E. E. C. countries.....               | -917    | 100.0 | -447    | 100.0 | -372    | 100.0 | -39         | 100.0 | -73     | 100.0 |
| Other Western Europe.....             | -140    | 100.0 | -256    | 100.0 | -344    | 100.0 | -166        | 100.0 | -138    | 100.0 |
| Special category (non-aid).....       | -201    | 100.0 | -487    | 100.0 | -630    | 100.0 | -213        | 100.0 | -376    | 100.0 |
| Japan.....                            | -484    | 100.0 | -606    | 100.0 | -307    | 100.0 | -131        | 100.0 | -189    | 100.0 |
| Rest of world, total.....             | 1,580   | 100.0 | 1,834   | 100.0 | 1,071   | 100.0 | 874         | 100.0 | 879     | 100.0 |

1. Excludes special category exports to Japan, included in "Rest of world, total", (see footnote 3).  
 2. Excludes special category exports. Such shipments are included in the non-aid special category export total for Western Europe.  
 3. Includes special category exports to Japan.

It is interesting to note that, for the most part, the specific commodity groupings which loom largest in exports and have contributed most to the improvement in our export balance are those for which imports are virtually nonexistent—as in the case of construction machinery, rolling mill machinery, railway equipment, and auto parts for assembly—or are dwarfed by exports. Exceptions are confined to aircraft, electrical machinery (for industrial use) and the basket grouping of "other non-agricultural machinery and parts."

Special category goods represent a distinctive commodity grouping which provides a very sizable—nearly \$0.7 billion in 1961—and recently accelerating contribution to the Nation's export balance on finished manufactures. This export grouping, however, cannot properly be considered as reflecting this country's competitive advantage in the international market place, except to the extent that an estimated one-fifth of such goods may be classifiable as nonmilitary exports.<sup>4</sup> The remaining four-fifths consists of military equipment essential to the defense requirements of foreign governments and for which they are willing to pay.<sup>5</sup>

Our two-way trade in aircraft has never failed to produce a substantial export balance, the magnitude of which, however, has fluctuated during the past decade from an annual high of \$½ billion in 1960 to less than \$50 million in the early 1950's. Current indications are for a sharp drop in such exports in the second half of the current year from the high volume prevailing for the past 2½ years. This characteristic volatility can alter our export balance in finished manufactures very significantly in certain years.

#### Deterioration in consumer goods, steel, and petroleum

Whereas our trade in machinery and commercial transportation equipment has customarily produced a large export balance which has expanded over the long-term period with, for the

Table 2.—Shifts in U.S. Trade Position for Selected Product Groupings of Finished Manufactures<sup>1</sup>

(Millions of dollars)

|   |         | 1950-53<br>annual<br>average | 1961   | CHANGE from 1950-53<br>annual average to 1961 |              | January-May  |        | CHANGE from<br>January-May 1961<br>to January-May 1962 |              |              |  |
|---|---------|------------------------------|--------|---|--------------|--|--------|--|--------------|--------------|--|
|   |         |                              |        | Ex-<br>ports                                  | Im-<br>ports | Balance<br>(Gain<br>(+) or<br>loss<br>(-))   | 1961   | 1962   | Ex-<br>ports | Im-<br>ports | Balance<br>(Gain<br>(+) or<br>loss<br>(-)) |
| Product Groupings Showing IMPROVEMENT in Trade Position<br>(Increase in export balance, switch from import to export balance, or decrease in<br>import balance) |         |                              |        |   |              |  |        |  |              |              |  |
|   |         | 1950-53 to 1961              |        |   |              | January-May 1961 to January-May<br>1962<br>(Includes only items showing im-<br>provement from 1950-53 to 1961) |        |  |              |              |  |
| Total   | Exports | 3,488                        | 6,844  | +3,426  | +651         | 2,843  | 3,301  | +458   |              |              |  |
|   | Imports | 117                          | 868    | +751  | +651         | 242  | 318    | +76  |              |              |  |
|   | Balance | +3,361                       | +6,176 | Increase in ex-<br>port balance               |              | +2,875   | +2,084 |  |              |              | +383                                       |
| Nonagricultural machinery, total:   | Exports | 2,337                        | 4,372  | +2,035  |              | 1,818  | 1,965  | +147   |              |              |  |
|   | Imports | 93                           | 430    | +344  | +344         | 167  | 206    | +39  |              |              |  |
|   | Balance | +2,244                       | +3,038 | → Increase in ex-<br>port balance             |              | +1,691   | +1,777 |  |              |              | +128                                       |
| Electrical machinery and parts:   | Exports | 360                          | 603    | +243  |              | 247  | 257    | +10  |              |              |  |
|   | Imports | 19                           | 137    | +118  | +118         | 82   | 46     | -36  |              |              |  |
|   | Balance | +340                         | +466   | → Increase in ex-<br>port balance             |              | +118   | +202   |  |              |              | +74  |
| Construction, excavating, lifting, oil<br>field machinery and parts:  | Exports | 745                          | 1,135  | +390  |              | 487  | 400    | +87  |              |              |  |
|   | Imports | (*)                          | (*)    | (*)   | (*)          | (*)  | (*)    | (*)  |              |              |  |
|   | Balance | +745                         | +1,135 | → Increase in ex-<br>port balance             |              | +390   | +490   |  |              |              | +100                                       |
| Rolling mill machinery and parts:   | Exports | 66                           | 100    | +34   |              | 48   | 43     | +5   |              |              |  |
|   | Imports | (*)                          | (*)    | (*)   | (*)          | (*)  | (*)    | (*)  |              |              |  |
|   | Balance | +66                          | +100   | → Increase in ex-<br>port balance             |              | +48  | +43    |  |              |              | +5   |
| Machinist tools and metal working<br>machinery and parts:   | Exports | 174                          | 375    | +201  |              | 129  | 173    | +44  |              |              |  |
|   | Imports | 28                           | 34     | +6  | +6           | 13   | 19     | +6   |              |              |  |
|   | Balance | +146                         | +341   | → Increase in ex-<br>port balance             |              | +116   | +154   |  |              |              | +38  |
| Office (incl. computing) machinery<br>and parts:  | Exports | 62                           | 81     | +19   |              | 31   | 39     | +8   |              |              |  |
|   | Imports | 7                            | 70     | +63   | +63          | 23   | 24     | -1   |              |              |  |
|   | Balance | +55                          | +11    | → Increase in ex-<br>port balance             |              | +8   | +15    |  |              |              | +7   |
| Other nonagricultural machinery and<br>parts:   | Exports | 807                          | 1,843  | +1,036  |              | 701  | 855    | +154   |              |              |  |
|   | Imports | 40                           | 196    | +156  | +156         | 73   | 193    | +120   |              |              |  |
|   | Balance | +767                         | +1,647 | → Increase in ex-<br>port balance             |              | +628   | +662   |  |              |              | +134                                       |
| Aircraft and parts:   | Exports | 45                           | 351    | +306  |              | 150  | 209    | +59  |              |              |  |
|   | Imports | 1                            | 120    | +119  | +119         | 22   | 54     | +32  |              |              |  |
|   | Balance | +44                          | +231   | → Increase in ex-<br>port balance             |              | +128   | +155   |  |              |              | +27  |
| Railway equipment and parts:  | Exports | 81                           | 196    | +115  |              | 67   | 84     | +17  |              |              |  |
|   | Imports | (*)                          | (*)    | (*)   | (*)          | (*)  | (*)    | (*)  |              |              |  |
|   | Balance | +81                          | +196   | → Increase in ex-<br>port balance             |              | +67  | +84    |  |              |              | +17  |
| Automotive parts for assembly:  | Exports | 150                          | 266    | +116  |              | 107  | 151    | +44  |              |              |  |
|   | Imports | (*)                          | (*)    | (*)   | (*)          | (*)  | (*)    | (*)  |              |              |  |
|   | Balance | +150                         | +266   | → Increase in ex-<br>port balance             |              | +107   | +151   |  |              |              | +44  |
| Other automotive parts and acces-<br>sories:  | Exports | 220                          | 318    | +98   |              | 127  | 135    | +8   |              |              |  |
|   | Imports | 8                            | 48     | +40   | +40          | 21   | 25     | +4   |              |              |  |
|   | Balance | +212                         | +270   | → Increase in ex-<br>port balance             |              | +106   | +110   |  |              |              | +4   |
| Chemicals and related items:  | Exports | 415                          | 603    | +188  |              | 206  | 285    | +79  |              |              |  |
|   | Imports | 16                           | 54     | +38   | +38          | 22   | 31     | +9   |              |              |  |
|   | Balance | +399                         | +549   | → Increase in ex-<br>port balance             |              | +230   | +374   |  |              |              | +144                                       |
| * Cash* special category (excl. mili-<br>tary aid and Defense Dept. sales<br>of military equip.):   | Exports | 182                          | 382    | +200  |              | 200  | 442    | +242   |              |              |  |
|   | Imports |                              |        |   |              |  |        |  |              |              |  |
|   | Balance | +182                         | +382   | → Increase in ex-<br>port balance             |              | +200   | +442   |  |              |              | +242                                       |

1. Based on changes between 1950-53 (annual average) and 1961. Commodities listed provide 90 percent coverage of total two-way trade in finished manufactures in both base periods.  
\*Imports negligible.

Source: U.S. Department of Commerce, Office of Business Economics, from basic data of Bureau of the Census.

4. Among these are electron tubes, radar equipment for aircraft, commercial jet-aircraft engines, landing gear and parts, and aircraft ground handling equipment.

5. Payment is made in cash or under credit arrangements with relatively short repayment terms.

most part, only minor inroads in value in aggregate has reversed itself completely—from an export balance of nearly \$500 million in 1950-53 (annual

Table 2.—Shifts in U.S. Trade Position for Selected Product Groupings of Finished Manufactures<sup>1</sup>—Continued  
(Millions of dollars)

|   | 1950-53<br>annual<br>average | 1961  | CHANGE from 1950-53<br>annual average to 1961 |              | January-May   |       | CHANGE from<br>January-May 1961<br>to January-May 1962 |              |              |  |  |
|---|------------------------------|-------|---|--------------|---|-------|--|--------------|--------------|--|--|
|   |                              |       | Ex-<br>ports                                  | Im-<br>ports | Balance<br>(Gain<br>(+) or<br>Loss<br>(-))  | 1961  | 1962   | Ex-<br>ports | Im-<br>ports | Balance<br>(Gain<br>(+) or<br>Loss<br>(-)) |  |
|   |                              |       |   |              |   |       |  |              |              |  |  |
| Product Groupings Showing DETERIORATION in Trade Position<br>(Decrease in export balance, switch from export to import balance, increase in import balance) |                              |       |   |              |   |       |  |              |              |  |  |
|   | 1950-53 to 1961              |       |   |              | January-May 1961 to January-May 1962<br>(includes only items showing<br>deterioration from 1950-53 to 1961) |       |  |              |              |  |  |
| Total   | 2,837                        | 2,402 | +435  |              | 880   | 889   |  |              |              |  |  |
| Exports   | 995                          | 2,424 | +1,429  |              | 108   | 1,399 | +1,291   |              |              |  |  |
| Imports   | 1,842                        | 2,402 | +560  |              | 772   | 889   | +117   |              |              |  |  |
| Balance   | +1,133                       | -532  | -1,665  |              | -684  | -490  | +194   |              |              |  |  |
| Consumer durables:  |                              |       |   |              |   |       |  |              |              |  |  |
| Passenger cars:   |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 207                          | 222   | +15   |              | 103   | 117   | +14  |              |              |  |  |
| Imports   | 34                           | 318   | +284  |              | 127   | 186   | +59  |              |              |  |  |
| Balance   | +233                         | -96   | -1,199  |              | -24   | -69   | +45  |              |              |  |  |
| Consumer electrical products and parts (incl. radio and T.V.):  |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 184                          | 207   | +23   |              | 117   | 113   | -4   |              |              |  |  |
| Imports   | 8                            | 183   | +175  |              | 49  | 186   | +137   |              |              |  |  |
| Balance   | +179                         | +84   | -95   |              | +68   | -73   | +141   |              |              |  |  |
| Other consumer durables:  |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 174                          | 274   | +100  |              | 160   | 111   | -49  |              |              |  |  |
| Imports   | 204                          | 703   | +499  |              | 255   | 340   | +85  |              |              |  |  |
| Balance   | -130                         | -429  | -299  |              | -95   | -229  | -134   |              |              |  |  |
| Textiles, total:  |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 558                          | 560   | +2  |              | 222   | 210   | -12  |              |              |  |  |
| Imports   | 358                          | 747   | +389  |              | 292   | 380   | +88  |              |              |  |  |
| Balance   | +171                         | -247  | -418  |              | -70   | -170  | -100   |              |              |  |  |
| Cotton cloth and materials:   |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 250                          | 106   | -144  |              | 72  | 57    | -15  |              |              |  |  |
| Imports   | 37                           | 70    | +33   |              | 28  | 51    | +23  |              |              |  |  |
| Balance   | +223                         | +36   | +187  |              | +44   | +6    | +38  |              |              |  |  |
| Other finished textile materials:   |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 147                          | 185   | +38   |              | 89  | 89    | 0  |              |              |  |  |
| Imports   | 224                          | 318   | +94   |              | 142   | 186   | +44  |              |              |  |  |
| Balance   | -87                          | -133  | -46   |              | -53   | -97   | -44  |              |              |  |  |
| Apparel, house furnishings and other finished consumer textiles:  |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 172                          | 170   | -2  |              | 80  | 74    | -6   |              |              |  |  |
| Imports   | 127                          | 359   | +232  |              | 122   | 167   | +45  |              |              |  |  |
| Balance   | +45                          | -189  | -234  |              | -42   | -93   | -51  |              |              |  |  |
| Consumer nondurables (excl. textiles):  |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 228                          | 387   | +159  |              | 140   | 171   | +31  |              |              |  |  |
| Imports   | 68                           | 276   | +208  |              | 98  | 117   | +19  |              |              |  |  |
| Balance   | +160                         | +111  | -49   |              | +42   | +54   | +12  |              |              |  |  |
| Steel mill products (excl. structural):   |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 174                          | 134   | -40   |              | 53  | 52    | -1   |              |              |  |  |
| Imports   | 102                          | 274   | +172  |              | 101   | 140   | +39  |              |              |  |  |
| Balance   | +72                          | -140  | -212  |              | -48   | -88   | -40  |              |              |  |  |
| Petroleum products (excl. structural):  |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 441                          | 307   | -134  |              | 128   | 116   | -12  |              |              |  |  |
| Imports   | 4                            | 72    | +68   |              | 27  | 49    | +22  |              |              |  |  |
| Balance   | +437                         | +235  | -202  |              | +101  | +67   | +34  |              |              |  |  |
| Product Groupings Showing RELATIVELY UNCHANGED Trade Position   |                              |       |   |              |   |       |  |              |              |  |  |
| Total   | 801                          | 1,451 | +650  |              | 442   | 445   | +3   |              |              |  |  |
| Exports   | 822                          | 2,423 | +1,601  |              | 424   | 1,399 | +975   |              |              |  |  |
| Imports   | 1,842                        | 2,402 | +560  |              | 772   | 889   | +117   |              |              |  |  |
| Balance   | +140                         | +24   | -116  |              | -650  | -490  | +160   |              |              |  |  |
| Trucks and buses:   |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 310                          | 322   | +12   |              | 185   | 114   | -71  |              |              |  |  |
| Imports   | 1                            | 14    | +13   |              | 7   | 5     | -2   |              |              |  |  |
| Balance   | +309                         | +308  | -1  |              | +178  | +109  | +69  |              |              |  |  |
| Paper and products (incl. newsprint):   |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 138                          | 280   | +142  |              | 113   | 128   | +15  |              |              |  |  |
| Imports   | 602                          | 700   | +98   |              | 307   | 313   | +6   |              |              |  |  |
| Balance   | -464                         | -420  | -44   |              | -194  | -185  | +9   |              |              |  |  |
| Metal materials and components (excl. steel):   |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 221                          | 206   | -15   |              | 119   | 140   | +21  |              |              |  |  |
| Imports   | 43                           | 136   | +93   |              | 22  | 66    | +44  |              |              |  |  |
| Balance   | +178                         | +70   | -108  |              | +97   | +74   | +23  |              |              |  |  |
| Agricultural machinery:   |                              |       |   |              |   |       |  |              |              |  |  |
| Exports   | 122                          | 144   | +22   |              | 74  | 71    | -3   |              |              |  |  |
| Imports   | 90                           | 115   | +25   |              | 58  | 60    | +2   |              |              |  |  |
| Balance   | +32                          | +29   | -3  |              | +16   | +11   | +5   |              |              |  |  |

average) to a deficit position of over (-) \$600 million in 1961.

This deterioration of \$1.3 billion accounts for most of the \$1½ billion total decline over the decade for the items shown in the second section of the table.

Nearly three-fourths of the decline in our trade position in consumer goods was concentrated in consumer durables (including autos). This is perhaps not surprising inasmuch as trade in such durables accounted for almost two-thirds of the two-way trade in all consumer goods in both 1950-53 and in 1961.

While our net trade in passenger cars over this period has shown the most deterioration of any single product listed, with a huge eightfold gain in imports accompanied by a simultaneous one-sixth drop in exports, textiles as a group have registered the largest net loss. Within this group, imports of finished consumer textiles—apparel, home furnishings, etc.—have scored the largest advance, reflecting the penetration of Far East suppliers of "cheap price-tag" shirts and blouses, cotton trousers, housedresses, etc., and the more recent gains in higher-priced apparel from Europe, especially Italy.

Nearly as large a gain dollarwise, and even larger percentagewise, was made in the grouping of consumer nondurables other than textiles, reflecting the outstanding advance in imports of inexpensive rubber and leather footwear. The expansion of a number of U.S. export items in this grouping, such as cigarettes, books, ball-point pens, etc., has moderated our net trading loss.

Our trade in consumer electrical goods still shows a trade surplus, but one that has declined by nearly \$100 million since the early 1950's. Almost the entire import rise here is in radios and parts, in which trade we are running a deficit that expanded sharply in the first 5 months of 1962. However, the U.S. export surplus in major appliances—refrigerators, home air conditioners, washing machines, and television sets—items in which we find very minor import competition—has not advanced sufficiently over the decade to offset the deficit in radios.